ABSTRACT

Debt policies often lead to conflict between managers with the shareholders of which are making decisions related to fundraising activities and making decisions related to how the proceeds are invested. It is behind the problems that policy debt through DER in manufacturing firms in each manufacturing industry experienced significant changes over the period 2007 to 2009. This study aims to determine and analyze the effect of free cash flow, the structure of managerial ownership, institutional ownership structure and firm size on firm value through policy loans to manufacturing companies on the Stock Exchange.

By using purposive sampling techniques aside, the technique with particular consideration to the purpose of obtaining a representative sample, the sample obtained by 35 firms in the sample data in the form of financial statement data for years 2006 to 2010, consists of free cash flow, managerial ownership structure, institutional ownership structure and firm size on firm value through policy loans. Analysis tools used in this study is the path analysis or path analysis. Prior to the regression test, first tested the classical assumptions.

The results showed that the Free cash flow does not affect debt policy, which means that the lower free cash flow in a manufacturing company, it does not affect the company in implementing the debt policy, proved its significance value of 0.194. Managerial ownership structure does not affect debt policy, with a significance value of 0.465. Negative effect of institutional ownership structure of debt policy, can mean higher institutional ownership is that the higher the lower the institutional ownership for firms to establish debt policy. This is evidenced by the significance value of 0.041. There is a positive influence of firm size on debt policy, with a significance value of 0.040. Debt policy can not be an intervening variable between free cash flow to enterprise value. Debt policy proved to be the intervening variable between managerial ownership structure with the company. Debt policy can be an intervening variable between institutional ownership structure to firm value. Debt policy can not be an intervening variable between the size of the companies with enterprise values. Debt policy has a negative effect on the value of corporate debt policy

Key words: Free cash flow, the structure of managerial ownership, institutional ownership structure, firm size, debt policy and firm value